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Foreign Relations, 1969-1976, Volume E-7, South Asia, 1969-1972

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FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 2412
SUBJECT: INDIAN — AMERICAN FOUNDATION

FOR SECRETARY ROGERS FROM AMBASSADOR BOWLES

1. FOR THE PAST SEVERAL YEARS THERE HAS BEEN UNDER CONSIDERATION IN BOTH DELHI AND WASHINGTON A PLAN TO DEVOTE A SUBSTANTIAL PORTION OF OUR HOLDINGS OF SURPLUS INDIAN RUPEES TO A NEW BINATIONAL FOUNDATION WHOSE PURPOSE WOULD BE TO SUPPORT MUTUALLY-AGREED EDUCATIONAL, SCIENTIFIC AND CULTURAL ACTIVITIES.
2. THE ORGANIZATION AND OPERATIONS OF THE FOUNDATION HAVE BEEN THE SUBJECT OF MANY SERIOUS AND CONSTRUCTIVE DISCUSSIONS WITH THE INDIAN GOVERNMENT, AND AGREEMENT NOW SEEMS POSSIBLE ON THE MAIN OUTLINE OF THE FOUNDATION'S STRUCTURE AND PURPOSES. THE NECESSARY U.S. WAIVERS AND CLEARANCES WERE OBTAINED UNDER THE JOHNSON ADMINISTRATION FOR THIS USE OF OUR FUNDS
3. TO REVIEW BRIEFLY THE CREATION OF THE FOUNDATION WAS FIRST PROPOSED IN 1964 AS MEANS FOR ADVANCING AMERICAN PROGRAMS BY USING OUR EXCESS RUPEES. OUR GOVERNMENT NOW OWNS 5 BILLION US-USES RUPEES, EQUIVALENT IN VALUE TO ALMOST \$700 MILLION. ACCRETIONS IN THIS HOLDING FROM LOAN REPAYMENTS AND ADDITIONAL SALES OF PL 480 COMMODITIES PLACE THE SIZE OF OUR CURRENT AND FUTURE RUPEE HOARD FAR ABOVE WHAT WE CAN POSSIBLY USE.
4. DESPITE SUCCESSFUL NEGOTIATIONS BY THE EMBASSY AND AN ADVISORY GROUP HEADED BY FORMER INDIANA UNIVERSITY PRESIDENT HERMAN WELLS, FINAL AGREEMENT EVADED OUR GRASP AFTER THE PLAN HAD BEEN ANNOUNCED BECAUSE OF POLITICAL PROBLEMS DURING THE LAST INDIAN GENERAL ELECTIONS. THE GOI FOUND IT NECESSARY TO SUSPEND NEGOTIATIONS UNTIL 1968 WHEN THE PROPOSAL WAS REVIVED.
5. THE ADVANTAGES OF THIS TYPE OF FOUNDATION ARE BOTH NUMEROUS AND IMPORTANT. FIRST OF ALL IT WOULD SEGREGATE AND DEVOTE TO USEFUL PURPOSES SUBSTANTIAL PORTION OF THE MOUNTING ACCUMULATION OF INDIAN RUPEES IN USG HANDS WHICH CONSTITUTES A GROWING POLITICAL AND ECONOMICAL PROBLEM BETWEEN THE TWO GOVERNMENTS.
6. THESE RUPEES REPRESENT A POTENTIAL CLAIM ON INDIAN RESOURCES FAR BEYOND WHAT INDIA CAN AFFORD IN THE FORESEEABLE FUTURE. NO COUNTRY CAN ACCEPT WITH EQUANIMITY THE OWNERSHIP OF ABOUT ONE-TENTH OF ITS TOTAL CURRENCY CIRCULATION BY A FOREIGN GOVERNMENT.
7. EVERY EXPENDITURE WE MAKE FROM THESE RUPEES FOR U.S. PURPOSES REQUIRES A BUDGETARY ALLOCATION BY THE INDIAN GOVERNMENT, THIS WEIGHING ON THEIR FISCAL SITUATION AND RAISING POLITICAL QUESTIONS PARTICULARLY BY THOSE UNFRIENDLY TO US. MANY INDIAN LEADERS AND PARTICULARLY FINANCE MINISTRY OFFICIALS, HAVE EXPRESSED CONCERN ABOUT THE FUTURE OF THESE RUPEES AND THEIR HOPE THAT SOME ACCEPTABLE WAY CAN BE FOUND TO SHIFT THE FUNDS FROM THE CURRENT CATEGORY OF A SERIOUS BURDEN ON INDIAN RELATIONS INTO ACCOMPLISHMENT FOR OUR MUTUAL INTERESTS.
8. THE PROPOSED BINATIONAL FOUNDATION WOULD SUPPORT ACTIVITIES IN THE FIELDS OF EDUCATION, SCIENCE AND CULTURE DESIRABLE TO BOTH INDIANS AND AMERICANS AND WOULD PLAY AN INNOVATIVE ROLE UNFETTERED BY BUREAUCRACY MUCH AS DO OUR MAJOR FOUNDATIONS IN THE U.S. ITS BOARD OF DIRECTORS, ON WHICH INDIANS AND AMERICANS WOULD HAVE AN EQUAL VOICE WOULD ENSURE ACCEPTABILITY OF THE FOUNDATION'S ACTIVITIES TO BOTH GOVERNMENTS BUT WITH FREEDOM FROM CONTROL BY EITHER GOVERNMENT. IT WOULD PROVIDE A BENEFICIAL CHANNEL OF CONTACT BETWEEN THE INDIAN AND AMERICAN EDUCATORS AND PUBLIC FIGURES WHO WOULD PARTICIPATE.
9. TWO MAJOR PROBLEMS HAVE HELD UP THE FOUNDATION: ONE IS THE BOGEY OF "U.S. INTELLECTUAL IMPERIALISM" RAISED BY CERTAIN LEFT-WING AND ANTI-US SOURCES, AND THE SECOND IS THE RELUCTANCE OF THE INDIAN FINANCE MINISTRY TO ENGAGE THE GOVERNMENT IN AN OPEN-ENDED COMMITMENT TO MAINTAIN THE FOUNDATION INDEFINITELY ON THE INTEREST WHICH THE GOI WOULD PAY ON THE FOUNDATION'S BASIC ENDOWMENT FUND.
10. THE FIRST PROBLEM IS ONE WHICH I THINK CAN BE FACED SQUARELY AND OVERCOME. THERE ARE THOSE IN INDIA WHO WILL SCREAM IMPERIALISM WHATEVER WE DO. AND, GIVEN THE SUPPORT OF THE INDIAN GOVERNMENT (WHICH WE HAVE) AND A CAREFULLY PLANNED CAMPAIGN OF PUBLIC PREPARATION, I THINK WE CAN OVERCOME THE VOCIFERATIONS OF THE SMALL NUMBER OF PROFESSIONAL US-HATERS AND PRO-COMMUNISTS AND CLEAR UP THE CONFUSION OF OTHERS.
11. THE INDIAN FINANCE MINISTRY HAS PROPOSED THE SOLUTION TO THE SECOND PROBLEM, IT HAS SUGGESTED THAT THE CONTRIBUTION OF RUPEES TO THE FOUNDATION SHOULD NOT BE IN THE FORM OF A FIXED ENDOWMENT FUND WHICH WOULD DRAW INTEREST INDEFINITELY BUT THAT THE FUND SHOULD BE AMORTIZED OVER A PERIOD OF 10 TO 15 YEARS BY THE DRAWDOWN BOTH OF INTEREST AND PRINCIPAL ALIKE. IN MY VIEW THIS IS AN EMINENTLY PRACTICABLE AND REALISTIC WAY OUT OF THE DIFFICULTY.
12. IN DECEMBER 1968 AFTER THE GOI MINISTRY OF FINANCE PROPOSED THIS APPROACH, I MADE AN URGENT APPEAL TO THE FORMER ADMINISTRATION TO MOVE AS QUICKLY AS POSSIBLE FOR AN AGREEMENT UNDER CONGRESSIONAL COMMITTEE APPROVALS WHICH HAD BEEN GRANTED. DEAN RUSK, FORMER PRESIDENT OF THE ROCKEFELLER FOUNDATION, HAD INTENSE INTEREST IN THIS UNDERTAKING. HE REPLIED DECEMBER 10 THAT HE WAS MUCH TAKEN WITH THE APPROACH, WHICH HE DESCRIBED AS INGENIOUS AND THOUGHT IT OFFERED REAL HOPE OF BREAKING THE LOGJAM. HOWEVER, HE THOUGHT HE SHOULD NOT THEN PUSH THE UNDERTAKING BUT RATHER LEAVE FOR THE NEXT ADMINISTRATION'S DECISION.
13. YOUR COLLEAGUES IN WASHINGTON ARE IN A BETTER POSITION TO JUDGE THAT STEPS MUST BE TAKEN TO REVALIDATE EARLIER CLEARANCES INSIDE OUR GOVERNMENT.

14. I STRONGLY URGE THAT WHATEVER STEPS ARE NEEDED BE TAKEN AS SOON AS POSSIBLE AND THAT WE BE AUTHORIZED HERE TO APPROACH THE INDIAN AUTHORITIES AGAIN ON THIS SUBJECT, REPRESENTING THIS INITIATIVE AS AN EARNEST INDICATION OF THE NEW ADMINISTRATION'S INTEREST IN INDIA AND DEDICATION TO THE CAUSE OF INDO- AMERICAN COOPERATION. SUCH AUTHORIZATION SHOULD INCLUDE PERMISSION TO AGREE TO THE SELF-LIQUIDATING FEATURE SUGGESTED BY THE INDIAN MINISTRY OF FINANCE, SINCE THIS WILL BE CRITICAL IN THE GOI'S RESPONSE.

15. THE INAUGURATION OF THIS NEW FOUNDATION WOULD SET INDO-USRELATIONS UNDER OUR NEW ADMINISTRATION OFF TO A VERY GOOD START. ITS TIMING IN THIS GANDHI CENTENNIAL YEAR WOULD BE MOST FELICITOUS, ESPECIALLY IF WE COULD DEVISE A NAME FOR THE FOUNDATION WHICH WOULD ASSOCIATE IT WITH THE IDEALS OF MAHATMA GANDHI. THE GANDHI CENTENNIAL FUND HAS BEEN SUGGESTED.

16. I AM CONVINCED THAT THE SUCCESSFUL CONCLUSION OF THE LONG NEGOTIATIONS FOR THIS FOUNDATION CAN BE AN IMPORTANT STEP FORWARD IN OUR RELATIONSHIP WITH THE GOVERNMENT OF INDIA AND PARTICULARLY WITH THE ACADEMIC AND INTELLECTUAL GROUPS WHICH WILL PLAY AN IMPORTANT ROLE IN INDIA'S FUTURE.

BOWLES

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